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SUBJECT: COLOMBIA REDUCES POVERTY THROUGH GROWTH COMBINED
WITH GOVERNMENT PROGRAMS

REF: 07 BOGOTA 900

¶1. SUMMARY. Economic growth and anti-poverty programs have lifted over 5.5 million Colombians out of poverty since 1999. "Families in Action," the GOC's conditional cash transfer program, substantially increased school attendance and children's health for 700,000 families in extreme poverty. The GOC recently expanded the program to cover an additional one million impoverished families, and began a new anti-poverty program called "Juntos" ("Together") in late ¶2007. The World Bank, Inter-American Development Bank (IDB) and the GOC have collectively committed USD 1.78 billion to Families in Action through 2011 and are open to providing assistance to Juntos. END SUMMARY

Economic Growth Helps Reduce Poverty

¶2. Economic growth averaging five percent annually since 2002 has helped lift over 5.5 million Colombians out of poverty. The number of impoverished Colombians in poverty dropped from 57.5 percent to 45 percent between 1999 and 2006, while extreme poverty rates fell from 25.4 percent to 12 percent over the same period. Natalia Millan, an analyst at the economic think-tank Fedesarrollo who studies poverty, estimated that in 2007 poverty dropped at least two to three percent. Although official data on 2007 poverty rates will not be released until mid-2008, Andres Escobar Arango, head of the National Planning Department's Poverty Office, privately agreed with Millan's estimate.

¶3. Mauricio Cardenas, Director of Fedesarrollo and a former Minister of Economic Development, cites economic growth as responsible for half of Colombia's poverty reduction with the rest coming from targeted anti-poverty programs. Cardenas estimates the U.S.-Colombia Trade Promotion Agreement (CTPA) will increase Colombian GDP growth by up to two percent per year, thereby lowering the poverty rate by nearly one percent annually and lifting 500,000 Colombians out of poverty each year.

"Families in Action" Helps 700,000 Families

¶4. The GOC started the Families in Action program in 2001 as a temporary measure to reduce the social impact of the 1999 recession. The program follows a standard conditional cash transfer model to reduce poverty and build human capital. Impoverished families receive subsidies of USD 22 per month for taking their children for health check-ups and an additional USD 7-13 per month for each child in primary and secondary school. More than 700,000 families, including over a 100,000 displaced families, participated in 2006. World Bank evaluations show the program has led to substantial

increases in school attendance and children's health. Miguel Lopez, World Bank representative in Colombia, described the program as "very successful" in improving school attendance and health. Many displaced and vulnerable families in the program also participate in USAID income-generation programs that help them transition out of poverty.

1.5 Million Fewer Families in Poverty

¶5. The GOC hopes to pull 1.5 million families out of extreme poverty by 2010 through participation in Families in Action and a new program called "Juntos." Diego Molano of Accion Social (the President's social program office), which oversees Families in Action and Juntos, said Juntos will more proactively attack the root causes of poverty.

¶6. Juntos families will have social workers assigned to help ensure access to programs in nine essential areas: identification/documentation (a significant problem in rural areas, especially amongst displaced persons), work, education, housing, nutrition, family dynamics, insurance/banking, justice, and health. Under health, the basic necessities include affiliation with the GOC's health insurance program, prenatal care, children's vaccinations and adult family planning. Co-managers will help families get access to these necessities. Molano said the program will also help Accion Social locate weak spots in the GOC's social support network. Molano stressed that, while Juntos will provide the tools to climb out of poverty, Colombia's continued economic growth and job creation remain key to families becoming economically self-sufficient.

Pilot Program Successfully Initiated

¶7. In 2007 Accion Social successfully enrolled an additional one million families into Families in Action and started a pilot Juntos program for 35,000 families (expanding to 70,000 families) in 30 municipalities with 700 new social workers. Molano said the pilot program demonstrated that "outsourcing" works well in hiring and managing the 15,000 social workers Juntos needs (one social worker, whose salary will be split between the national government and local municipalities, for every 100 families). Accion Social will create consortiums of universities, foundations, NGOs and local chambers of commerce to hire and manage the social workers in each of 110 microregions. Phase Three of the Juntos program starts in February 2008 when Accion Social plans to expand the program into all of Colombia's 1,098 municipalities. Accion Social plans to have 750,000 families fully participating in Juntos by end of 2008, and 1.5 million families by the end of 2009.

GOC, World Bank and IDB Commit USD 1.78 Billion

¶8. The GOC estimates that Families in Action will cost USD 1.78 billion through 2011. The GOC committed to USD 440 million and requested loans from the World Bank and IDB of USD 668 million each. The World Bank approved a USD 105 million loan in March 2007 and expects to approve a new loan of USD 563 million at the end of 2008. The IDB approved its first loan of USD 306 million in December 2007 and expects to approve a new loan for USD 362 million in mid-2009. Lopez said that the GOC has not approached either institution about loans for the Juntos program, but both were working with Accion Social to help develop Juntos and would review possible assistance as the program progressed.